THE TARIFF AND THE TRUSTS.

I.

WHEN the tariff act of 1890 was passed, there were comparatively few trusts in the manufacturing industries. The movement towards consolidation, which began in 1882 with the formation of the Standard Oil Trust, had made little headway by 1890. The historic process of the concentration of industry in large establishments had, indeed, gone far; and the manufacturing industries were full of large establishments producing on a great scale. But, for the most part, these industries were still carried on under the conditions of competition, although competition among them was sometimes limited by crude efforts towards combination, by pools of various kinds, and agreements for the regulation of prices or the limitation of output. But, for the most part, the ownership and management of different concerns in the same trade remained in the hands of different firms and corporations. Within few of the manufacturing industries had there been organized those great industrial systems which are called trusts; few of them had reached the stage of centralized ownership and management. Those industries, however, in which combinations of a monopoly or quasi-monopoly character were to be found in 1890 (if exposed even in a slight degree to foreign competition), together with other manufacturing industries, received the benefit of ample protection from the tariff act of that year. The following table enumerates some of the important trusts in the protected industries in 1890, and states the rates of duty imposed on some of their chief products of manufacture by the act of that year.

TABLE I.

Trusts.	Duties imposed by the Act of 1890 on some main products of manufacture.
American Cotton Oil Company.	Cottonseed oil, 10c. per gal. of $7\frac{1}{2}$ lbs. weight.
American Tobacco Company.	Cigarettes, $4.50 per lb. + 25% ad valorem.
Distilling and Cattle Feeding Company (Old Whiskey Trust).	Brandy, and spirits distilled from grain not otherwise provided for, $2.50 per gal.*
Envelope Trust.	Paper envelopes, 25c. per thousand.
National Lead Trust.	White lead, 3c. per lb. Red lead, 3c. per lb.
National Linseed Oil Trust.	Linseed or flaxseed oil raw, boiled, or oxidized, 32c. per gal. of $7\frac{1}{2}$ lbs. weight.
National Starch Manufacturing Company.	Starch, 2c. per lb.
Sugar Trust.	Refined sugar above No. 16 Dutch standard, $\frac{5}{10}$c. per lb. + $\frac{1}{10}$c. per lb. on sugar imported from countries paying an export bounty. Raw sugar free.

Since 1890, however, and especially during certain periods since the latter part of the year 1898, consolidation has gone on with remarkable rapidity in the manufacturing industries. Some of these industries, at least for the time being, have come under the sway of almost complete monopolies. Other have entered upon what may be called the trust or quasi-monopoly stage,— the stage where the predominant influence in the trade is that of a single large company producing the major portion of the output of the trade, and strong enough to regulate amount of product and, within certain limits, fix prices. Furthermore, in some industries important combinations have been formed, which enjoy a certain trade leadership,

* In 1890 the internal revenue tax on distilled spirits was 90 cents a gallon, leaving a net protection of $1.60.

but are not strong enough to control output or fix prices. Still other industries have been largely concentrated in the hands of two or more rival combinations; and in either of these cases further and more complete consolidation may be regarded as possible or impending. Some, perhaps many, of the recently organized companies will be unsuccessful and of short duration in their present form. A few of them have already passed into the hands of receivers. But most of those which fail will probably sooner or later be reorganized or succeeded by fresh combinations. The progress of the movement may be temporarily checked by legislation or by decisions of the courts; but, broadly speaking, the consolidation of the distinctively machine industries should be regarded as an economic change which, when it is finished, will be permanent. The movement has been and is, one may think, inevitable; and, on the whole, and apart from certain of its accidents, should be welcomed as an important stage forward in the evolution of industry. But the centralization of industry has altered the aspect of the tariff question, and added a new element to the problem of tariff legislation.

In the protected industries, among the important combinations which are said to control a very large part of the output in their respective trades, with the rates of duty on some of their chief products of manufacture under the tariff act of 1897, are those in Table II. The statistics are for the fiscal year ending June 30, 1900. Where the duties are specific, the ad valorem rate which would have been equivalent to the specific rate in the year 1899–1900 is given in the third column of the table. The ad valorem rate is inserted to illustrate the substantial character of the protection which many trusts enjoy. The values of foreign products imported under the rates given indicate the effective and sometimes prohibitory character of those rates.

TABLE II.

TRUSTS.	Tariff imposed by the Act of 1897 on some main products of manufacture.	Ad valorem rate. Per cent.	Values of foreign products imported into the United States during the fiscal year ending June 30, 1900.
*American Bridge Company.	Iron and steel beams, girders, etc., $\frac{1}{2}$c. per lb.	21.37	$36,494.67
American Hide and Leather Company.	Upper leather, dressed and finished, 20% ad valorem.	20	635,365.00
	Calfskins, tanned or tanned and dressed, 20% ad valorem.	20	119,154.50
American Linseed Company.	Linseed or flaxseed oil, raw, boiled, or oxidized, 20c. per gal. of $7\frac{1}{2}$ lbs. weight.	29.20	1,989.00
American Malting Company.	Barley malt, 45c. per bush. of 34 lbs. weight.	49.43	3,536.00
American Radiator Company.	Manufactures of iron and steel not specially provided for, 45% ad valorem.	45	
American Sheet Steel Company.	Common sheets of iron and steel, various specific rates according to value per lb.	45.43 (average)	33,006.50
American Smelting and Refining Company.	Lead in pigs, etc., $2\frac{1}{8}$c. per lb.	94.75	109,140.40
American Snuff Company.	Snuff and snuff flower, 55c. per lb.	118.47	5,097.00
American Steel Hoop Company.	Hoop, band, or scroll iron or steel not otherwise provided for, from $\frac{5}{10}$c. to $\frac{8}{10}$c. per lb.	28.57 (average)	9,305.00
American Steel and Wire Company.	Round iron or steel wire, various specific and ad valorem rates, according to size and value.	40.22 (average)	174,816.00

*Since this table was compiled, the United States Steel Corporation has been formed to unite the Carnegie, Federal Steel, National Steel, National Tube, American Steel and Wire, American Tin Plate, American Steel Hoop, American Sheet Steel, American Bridge, and perhaps a few other companies.

TRUSTS.	Tariff imposed by the Act of 1897 on some main products of manufacture.	Ad valorem rate. Per cent.	Values of foreign products imported into the United States during the fiscal year ending June 30, 1900.
American Steel and Wire Company.	Wire nails not less than 1 inch in length, etc., ½c. per lb.	13.43	$1,348.93
American Sugar Refining Company.	Above No. 16 Dutch standard, and all sugar that has gone through a process of refining, 1.95c. per lb.	71.23	373,354.14
American Thread Company.	Cotton thread on spools or reels, 6c. per dozen.	48.53	116,075.00
American Tin Plate Company.	Tin plates, terne plates, and taggers tin, lighter than 63 lbs. per 100 sq. feet, 1½c. per lb.	46.89	4,391,800.00
	All other, 1½c. per lb.	39.18	203,332.17
American Tobacco Company.	Cigarettes and paper cigars, including wrappers, $4.50 per lb. and 25% ad valorem.	143.73	76,341.50
American Window Glass Company.	Cylinder, crown, and common window glass, unpolished, various specific rates increasing with the dimensions of the glass, from 1⅜c. to 4⅜c. per lb.	66.36 (average)	1,530,637.73
American Writing Paper Company.	Writing, letter paper, etc., weighing not less than 10 lbs. or more than 15 lbs. to the ream, not ruled, etc., 2c. per lb. and 10% ad valorem.	27.70	13,843.00
	The same, if ruled, etc., 2c. per lb. and 20% ad valorem.	43.68	214.80
	Weighing more than 15 lbs. to the ream, not ruled, etc., 3½c. per lb. and 15% ad valorem.	34.75	98,322.00
	If ruled, etc., 3½c. per lb. and 25% ad valorem.	35.66	2,701.00

TRUSTS.	Tariff imposed by the Act of 1897 on some main products of manufacture.	Ad valorem rate. Per cent.	Values of foreign products imported into the United States during the fiscal year ending June 30, 1900.
Continental Tobacco Company. (Plug tobacco, etc.)	Manufactures of tobacco other than cigars, cigarettes, snuff and snuff flour, etc., 55c. per lb.	256.89	$62,718.70
Diamond Match Company.	Matches, in boxes containing not more than 100 matches per box, gross, 8c. per gross.	32.79	94,680.00
	Otherwise than in boxes as above, 1c. per 1,000.	27.79	55,206.60
Distilling Company of America.	Spirits not especially provided for, manufactured or distilled from grain, $2.25 per proof gallon.	123.43	1,160,276.00
Glucose Sugar Refining Company.	Glucose or grape sugar, 1½ per lb.	61.65	1,214.00
International Paper Company.	Printing paper suitable for books and newspapers, various specific and ad valorem rates according to value per lb.	From 15 to 19.08	135,455.00
International Silver Company.	Manufactures of silver not especially provided for, 45% ad valorem.	45	112,469.81
International Steam Pump Company.	Steam pumps, 45% ad valorem.	45	
Mount Vernon Woodberry Cotton Duck Company.	Cotton duck, 35% ad valorem.	35	1,275.00
National Biscuit Company.	Bread and biscuit, 20% ad valorem.	20	95,887.71
National Carbon Company.	Carbons for electric lighting, 90c. per 100.	114.98	85,190.00
	Carbon pots (porous) for electric batteries without metallic connections, 20% ad valorem.	20	14,762.00
National Glass Company. (Tableware glass.)	Common glass tumblers, 60% ad valorem.	60	Slight importations

Trusts.	Tariff imposed by the Act of 1897 on some main products of manufacture.	Ad valorem rate. Per cent.	Values of foreign products imported into the United States during the fiscal year ending June 30, 1900.
National Lead Company.	White lead and white paint and pigment containing lead, etc., 2⅞c. per lb.	49.47	$32,470.00
	Red lead, 2⅞c. per lb.	68.94	31,392.00
National Salt Company.	Salt in bags, sacks, barrels, etc., 12c. per 100 lbs.	37.68	383,064.08
	In bulk, 8c. per 100 lbs.	89.09	161,080.54
	Used in curing fish, duty remitted.	—	71,942.80
National Starch Company.	Starch, 1½c. per lb.	73.69	204,656.90
National Tube Company.	Iron or steel tubes, pipes, etc., 2c. per lb., or 35% ad valorem.	34.58 (average)	62,175.91
Otis Elevator Company.	Passenger elevators (under the head of articles not specially provided for, composed wholly or in part of iron or steel) 45%.	45	
Royal Baking Powder Company.	Baking powders, 20% ad valorem.	20	Slight importations.
Rubber Goods Manufacturing Company.	Manufactures of gutta-percha, 35% ad valorem;	35	267,490.50
	of India rubber, 30% ad valorem.	30	212,704.44
Union Bag and Paper Company.	Paper bags, 35% ad valorem.	35	449,286.22 (total manufactures of paper not specially provided for.)
United States Cast Iron Pipe and Foundry Company.	Cast-iron pipe, $\frac{4}{10}$c. per lb.	15.36	2,440.00
United States Envelope Company.	Envelopes, bordered, etc., 35% ad valorem.	35	1,471.00
	Plain envelopes, 20% ad valorem.	20	4,459.50

TRUSTS.	Tariff imposed by the Act of 1897 on some main products of manufacture.	Ad valorem rate. Per cent.	Values of foreign products imported into the United States during the fiscal year ending June 30, 1900.
United States Leather Company.	Band, belting, and sole leather, 20% ad valorem.	20	$49,216.75
United States Rubber Company.	Rubber boots and shoes, 44c. per lb. and 60% ad valorem.	—	Slight importations.*

There are a very few important trusts which do not receive the benefit of protective duties under our tariff laws.† Among them are the following: —

TABLE III.

TRUSTS.	Tariff imposed by the Act of 1897 on some main products of manufacture.	Ad valorem rate. Per cent.	Values of foreign products imported into the United States during the fiscal year ending June 30, 1900.
Amalgamated Copper Company.	Unmanufactured copper, free.	—	$15,107,713.98
American Agricultural Chemical Company.	Fertilizers, free.	—	1,687,661.19
Standard Oil Company.	Petroleum, crude and refined, free.	—	*1,858.00

* The figures in columns 2, 3, and 4 of Table II. are taken from the *Summary of Finance and Commerce for October*, 1900. The list of combinations given is made up chiefly from the files of the *Commercial and Financial Chronicle*, from the "Investor's Supplements" to that journal, and from the files of Bradstreet's. Undue stress should not be laid on the significance of column 3. Where the importations of a commodity are very slight or sporadic the ad valorem rate may have little significance. In such cases the small value of the importations is more indicative of the character of the protection afforded.

† At the annual meeting of the American Economic Association, in December, 1899, Hon. Charles S. Fairchild, formerly Secretary of the Treasury, presented a paper on The Financiering of Trusts. He appended thereto a list of sixty combinations, classified according to the manner of their capitalization.

It is a striking and important fact that almost all trusts of national importance are to be found in the protected industries; but this fact should not be regarded as strange. For the design of the tariff system has been the promotion of manufacturing industry, and it is among the manufacturing industries that most of the larger trusts have been formed. But what is the significance of the fact that almost all the more important trusts are to be found in the protected industries?

II.

There is obviously a point beyond which the control of a purely domestic combination in the manufacturing industries cannot extend. That is the importing point. A domestic monopoly cannot fix prices higher than those at which foreign-made goods can be sold in the United States. The president of the American Sugar Refining Company was once asked in the course of an official investigation, "The American Sugar Refining Company is able to control the price of sugar sold in the United States, is it not?" The answer was, "No, sir: up to the importing point it is." * Under a régime of competition the limit of prices is the cost of production, but under a régime of monopoly it is the importing point of foreign-made goods.

This list included most of the more important combinations formed up to the end of 1899, and was evidently made up without any reference to the tariff question. Examination shows that fifty-four of the sixty companies enumerated enjoy the benefit of a protective tariff: the main products of four companies (the American Agricultural Chemical Company, the Standard Oil Company, the Amalgamated Copper Company, and the American Ice Company) are free of duty; and the two remaining companies are engaged in the importation of foreign products. Publications of the American Economic Association, February, 1900, pp. 160–162.

An examination of the table of trusts in the *Review of Reviews* for June, 1899, made up by Mr. Byron W. Holt (or of Mr. Holt's longer list in the *Commercial Year Book for* 1900), yields an essentially similar result.

* Report of the Special Committee (the Lexow Committee) of the New York legislature entitled *Investigation of Trusts*, p. 108, testimony of Mr. H. O. Havemeyer.

In the protected industries the importing point depends on the tariff. If the tariff places the importing point high above the domestic cost of production, including a fair profit, a margin for the arbitrary raising of prices and for monopoly profits is created, of which strong combinations may be able continuously or at intervals to take advantage. If a protective system is to be maintained, therefore, the tariff should be used as an instrument for the protection of consumers. The object of tariff legislation should be to furnish adequate protection to such industries as require it, without providing the opportunity for monopoly abuses. This object is certainly not fully attained by the present tariff law, nor was it attained by the law of 1890 or the law of 1894.

There are, one may think, two simple principles which should guide the making of tariffs for the protection of industries which have been consolidated, or (to describe present conditions in the manufacturing industries of the United States) for the protection of a body of industries, in many of which combinations approaching the character of monopoly have been formed or may soon be formed.

First, the tariff on goods of any sort of which the cost of production, including a fair profit, is no higher in the United States than in foreign countries, should be little or nothing. In such cases any tariff is excessive, and favors the growth of monopoly abuses. Yet there is an important and increasing class of commodities upon which duties are still levied, which can be produced in the United States at a cost quite as low as in foreign countries. Most iron and steel products, for instance, although not quite all, can now be produced in great quantities as cheaply in this country as anywhere else in the world, if not more cheaply than anywhere else. Our imports of iron and steel have diminished, and our exports have increased, until our exports now far exceed our imports. But considerable duties are still imposed on iron and steel prod-

ucts. These duties were equivalent, on the average, for all iron and steel and manufactures of iron and steel imported in the fiscal year ending June 30, 1900, to an ad valorem rate of about 37 per cent.* Although the iron and steel trade in all its branches has not thus far been completely consolidated,† there is little doubt that by means of pools or working agreements the steel companies have been able in the past, at least so far as some steel products are concerned, to charge monopoly prices and make monopoly profits. The cotton industry, also, is perhaps approaching a stage where further protection will be unnecessary. The coarser grades of cotton goods can be produced as cheaply in the United States as anywhere else, if not more cheaply than anywhere else. For many years our exports of uncolored cotton cloths have been considerable, while our imports have been trifling. Yet there are still levied on unbleached and undyed cotton cloths tariffs ranging from one cent a yard upward, equivalent to ad valorem rates of about 20 per cent. and upward. Mr. S. N. D. North told the Industrial Commission in 1899 that print cloths were sold for less than the duty imposed upon them. The paper industry, so far as some products are concerned, is another manufacturing industry which has been able in recent years to compete in the world market. Since 1897 our exports of paper have exceeded our imports. The various specific and ad valorem duties collected on imported paper manufactures were equivalent in the year 1899–1900, on the average, for printing paper to an ad valorem rate of over 15 per cent., and for all paper and manufactures of paper to an ad valorem rate of over 29 per cent.‡

The steel, cotton, and paper manufactures are examples

* This figure, and similar figures given hereafter, are derived from the official statements in the Report on Commerce and Navigation.

† It has been approximately consolidated, however, by the formation of the United States Steel Corporation.

‡ *Monthly Summary of Commerce and Finance*, July, 1899, p. 9.

of an important and increasing class of industries in the United States, which are largely independent of the tariff. Even if all protection were withdrawn from them, monopoly profits would not of necessity be beyond the reach of strong combinations controlling such industries. If the tariff were removed on certain goods, the United States would be joined to the world market so far as those goods were concerned, and the importing point would be lowered by the amount of the tariff. But the importing point might even then remain considerably above the domestic cost of production. For the domestic cost of production, owing possibly to the economies of production on a very large scale or to the closer proximity of domestic concerns to the sources of supply for the raw material of manufacture, as in the case of the flour milling trade or of the cotton manufacture, might be somewhat less than in foreign countries. In such cases, under a régime of active competition among domestic producers, the selling price of goods would conform to their domestic cost of production. But, under a régime of monopoly, the limit of prices is not the cost of production, but the importing point. And, if there is a margin between the domestic cost of production and the importing point, an opportunity is provided for possible monopoly profit. Again, if the tariff having been removed, foreign producers could sell their goods in the seaboard markets at a price about equal to the domestic cost of production plus cost of transportation from the nearest seat of domestic manufacture, monopoly prices would be impossible in seaboard markets. But monopoly prices and profits might nevertheless be possible in interior markets. If German steel rails could be sold in New York as cheap as steel rails brought from Pittsburg, it would not follow that German steel rails could be sold in the territory about Chicago as cheap as steel rails made in Chicago. For a large manufacturing concern has a natural monopoly of the immediate surrounding territory when the cost of

transporting its products is considerable in proportion to their value. The cost of transportation, however, is not ordinarily an important element in the price paid by the consumer for the finer manufactures. So that in case of those industries in which the cost of production is as low in this country as elsewhere, or lower than elsewhere, the removal of the tariff might not make monopoly profits impossible. Yet it would narrow the margin between the importing point and the domestic cost of production very materially in most such industries, and in many practically destroy it.

The second principle which should guide the making of tariffs for the protection of consolidated industries is this: The tariff on those commodities of which the cost of production is higher in this country than abroad should be about what is necessary to compensate domestic industries for their higher costs of production. The aim of tariff legislation for the protection of such industries should be to adjust the importing point of foreign goods to the level of the domestic cost of production, or, possibly, to place the importing point a little above that level.

Certainly, tariff changes should not be undertaken in a spirit of hostility to combinations as such or in order to crush out the trusts. Some combinations, as, for instance, those engaged in the manufacture of the finer grades of textile fabrics, or the combinations in the glass trade, might be materially injured or reduced to bankruptcy by ruthless tariff legislation, because the cost of manufacture for such products as theirs is greater in this country than abroad. Corporations like the American Sugar Refining Company, which consume dutiable raw materials in large quantities, are absolutely dependent on tariff legislation; for they must have a tariff on their manufactured products at least high enough to compensate them for the addition which the tariff makes to the cost of their raw materials. Combinations like the American Tobacco Company and the

distilling companies, the products of which are subject to an internal revenue tax, are in a similar position. So that, if tariff changes should be undertaken in a destructive spirit, much ruin might be worked. But the consolidation of an industry does not in itself furnish a reason for the complete withdrawal of protection from that industry. The demand for such ruthless legislation is an outgrowth of popular misunderstanding of the nature and significance of the important economic change which is taking place. This misunderstanding has given rise to much adverse but, on the whole, ineffectual legislation; it is wide-spread, but is perhaps already diminishing. A strong centralized company is, indeed, somewhat less in need of protection, other things being equal, than an industry in which there are many competing concerns, because the capital is greater, and the expenses of production, owing to the economies of centralized management, are less. But, if a protective tariff is to be maintained at all, those industries in which the costs of production for any reason are higher in this country than abroad furnish its proper field. Tariffs for the protection of such industries should be sufficient to compensate domestic manufacturers for their higher costs of production, but not high enough to invite monopoly abuses.

Opinions will doubtless differ as to the extent of the opportunity for monopoly abuses created by tariff legislation since 1890, and especially by the tariff act of 1897. Most combinations have been formed so recently, and the affairs of most of them are conducted with such secrecy, that little can be accurately known about them. But, as Professor Jenks has shown, there can be no doubt that some combinations have been able to obtain monopoly prices, at least temporarily or from time to time. The American Sugar Refining Company is the notorious example of the danger of overprotection. Its profits have been large and its prices high; but the tariff on refined

sugar is almost prohibitory. Of sugar above No. 16 Dutch standard, and of refined sugar, there was imported into the United States during the fiscal year ending June 30, 1900, only 13,673,030 pounds, which was less than one per cent. of the total importations of sugar, raw and refined. Another strong combination which has earned very large profits for a number of years, under favor of tariff legislation, is the American Tobacco Company. This company has paid 8 per cent. annually on its preferred stock since its organization in 1890, and on the average 10 per cent. annually on its common stock.* The common stock, which was originally somewhat larger in amount than the preferred, has recently been greatly increased; and a stock dividend of 100 per cent. has been distributed. It is expected to pay 6 per cent. on this new basis. Originally, it was probably not less than two-thirds water. The tariff on cigarettes and paper cigars, which are main products of the company, is $4.50 a pound plus 25 per cent. ad valorem. This was equivalent in the fiscal year 1899–1900 to a duty of over 143 per cent. ad valorem, and is practically prohibitory, as is shown in Table II. The tariff is several times the wholesale or even the retail price of the more popular grades of cigarettes. A thousand cigarettes of a well-known popular brand weigh over four pounds. The duty on such cigarettes would be over $18 a thousand, but they are sold at retail for $5 a thousand. The tariff on plug and smoking tobaccos, which are main products of the Continental Tobacco Company (in which the American is said to have a preponderating interest), and on all other manufactured tobacco, except cigars, cigarettes, etc., is 55 cents a pound, which was equivalent, on the average, in the fiscal year 1899–1900 to over 256 per cent. ad valorem. The wholesale price of a leading brand of smoking tobacco, including the internal revenue tax,

* The annual dividends since 1890 are given in the Investor's Supplement to the *Financial Chronicle* (for January, 1901, p. 155).

was 35 cents a pound in 1899.* The American Tin Plate Company has been one of the strongest of the industrial monopolies. We are assured that the tin-plate industry could not be carried on without the aid of the tariff,† yet it has often been questioned whether the present tariff on tin plates is not exorbitant. The tariff of 1½ cents a pound was equivalent in 1899–1900 to from 39 to 46 per cent. ad valorem, and is prohibitory so far as the great bulk of the American market is concerned. The distilling combination receives the benefit of evidently excessive tariffs on some of its products. The tariff on spirits not specially provided for, manufactured or distilled from grain, is $2.25 a proof gallon, and was equivalent in 1899–1900 to over 123 per cent. ad valorem on the average. The price of proof spirits in 1899, including the internal revenue tax, was about $1.25 per gallon.‡

Although there has never been any justification for plainly excessive tariffs, the consolidation of industry has greatly increased the danger which attends them. Partly because, until very recently, combinations of a monopoly character have been exceptional in the protected industries, tariff schedules have not been framed with a distinct purpose to prevent monopoly abuses. Tariffs have been levied hitherto mainly for the protection of industries regarded as under a régime of competition, industries in which there were a number of concerns with diverse interests; and the competition among these concerns has been relied on, and not without some reason, to prevent exorbitant prices or exorbitant profits. The danger of high prohibitory duties has not been regarded as great and has not been guarded against.

* According to Professor J. W. Jenks, in *Bulletin of the Department of Labor*, July, 1900, p. 746.

† "The Tin Plate Combination," F. L. McVey, *Yale Review*, 1899, p. 169 and on.

‡ *Bulletin of Department of Labor*, July, 1900, p. 728.

The removal or reduction of tariff duties, however, should not be regarded as the complete or final solution of the trust problem, but as a means by which, for the present, most combinations in the manufacturing industries may be held in check. I say for the present, because international competition might sooner or later lead to international combinations.* Foreign competition would hinder the abuses of monopoly only so long as combinations remained within national lines. National jealousies, differences of race, language, and methods of business, and political complications are now, and would be under any conditions, great difficulties in the way of international combinations. Within the field of the protected industries, however, foreign competition would have this advantage as an agency for the regulation of monopolies: it could be brought to bear quickly and effectively. Some other methods which have been proposed for the control of monopolies, such as the compulsory publicity of accounts or regulation by means of a commission or commissions like the Interstate Commerce Commission, although perhaps advisable as steps in the working out of a permanent or general solution of the monopoly problem, could hardly be expected to become easily or quickly effective. We have been told that a constitutional amendment is needed before a national incorporation law, which would bring industrial companies more completely under the control of the national government, could be enacted and en-

* There are now a few corporations which own and operate important producing concerns in more than one country. For instance, the American Thread Company is said to be controlled by the English Sewing Cotton Company; the American Bicycle Company, the National Carbon Company, and the Standard Oil Company have been reported as possessing or as expecting to acquire large or controlling interests in corresponding Canadian industries; and the Diamond Match Company has introduced its machinery into several foreign countries, and controls or is allied with a number of foreign companies. See the *Commercial and Financial Chronicle*, vol. 68, pp. 85, 228; vol. 69, pp. 130, 494, 696, 1150, 1195; The London *Economist*, January 26, 1901; and also Professor Jenks's interesting comments on the possibility of international trusts, *The Trust Problem*, pp. 47–49.

forced. In the mean time foreign competition, if allowed to operate, would do much to prevent or correct monopoly abuses within the large and very important field of the protected industries.

To summarize the argument which has been attempted: The rapid progress of consolidation among the protected industries, among which the great majority of trusts of national importance are to be found, has altered the aspect of the tariff question, and made a reconsideration of that question necessary. The tariff question is becoming more and more a question as to the principles which should guide the making of tariffs for the protection of consolidated industries. Under a régime of competition the normal limit of prices is the cost of production, but under a régime of monopoly it is the importing point. If the protective system is to be continued, the object of tariff legislation should be to furnish adequate protection to such industries as require it, without providing the opportunity for monopoly abuses. Therefore, in the first place there should be no tariff on goods of any sort of which the cost of production is no higher in the United States than in foreign countries. An important class of goods of this kind, including most iron and steel products and the cheaper grades of cotton goods, are however subject to considerable duties under the present tariff law. These duties are unnecessary, and only provide the opportunity for monopoly prices and profits. In the second place the tariff on goods of which the cost of production is higher in this country than abroad should be about what is necessary to compensate domestic industries for their higher costs of production. Many industries producing such goods might be materially injured or perhaps destroyed by tariff changes undertaken in a destructive spirit. But the consolidation of an industry is no reason in itself for the withdrawal of all protection from that industry. The importing point of cheaply produced foreign

goods should be adjusted approximately to the level of the domestic cost of production, in order to protect domestic manufacturers and at the same time prevent monopoly abuses. Opinions will doubtless differ as to how far the present tariff rates for the protection of these industries should be regarded as excessive. But there can be no doubt that the present rates are excessive in some cases. It is not unnatural that legislators in framing tariff schedules should have been hitherto somewhat unconcerned as to the danger of excessive tariffs; for, not without some reason, they have relied on domestic competition to prevent monopoly abuses. But the consolidation of industry has made excessive tariffs dangerous. Yet the abolition or reduction of tariffs should not be regarded as the adequate or final solution of the trust problem, but as a means by which most combinations in the manufacturing industries may be held in check, so long as the consolidation of industry does not extend beyond national boundaries. And foreign competition has this great advantage as an agency for the correction of monopoly abuses,— that it may be brought to bear quickly. The adjustment of tariffs in accordance with the principles which have been suggested probably would not lead to the invasion of the American market on a large scale by foreign producers. The possibility of such an invasion, in case unreasonable prices should be charged by domestic combinations, would go far to prevent such prices.

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